



## RBI & Banking sector

### 1. RBI's Focus on Customer Empathy and Digital Risks:

**Rise in Customer Complaints due to Lack of Empathy:** RBI Deputy Governor Swaminathan J, speaking today, July 23, 2025, highlighted a significant increase in banking complaints, particularly through digital channels. He attributed this not to product failures but to a "lack of empathy" and a "mechanical approach to customer service" by banking staff. He emphasized that interactions with customers, especially those struggling with digital processes (e.g., ATM PINs, digital repayments, UPI refunds), are "moments of trust" that are currently being undermined by increasing automation and decreasing ownership.

#### Warning on Digital Vulnerabilities:

Swaminathan J cautioned new-age bankers against growing vulnerabilities posed by cyber threats, phishing, synthetic identities, deepfakes, and third-party risks in an increasingly real-time and frictionless transaction environment. He stressed that "vigilance is no longer optional; it is an essential and core professional skill."

**Balancing Technology with Human Touch:** The Deputy Governor urged bankers to balance the speed and scale offered by technology with a strong sense of vigilance and personal responsibility. He used the analogy of the Titanic, noting that institutions fail not always from lack of systems, but from lack of foresight and the inability to notice "the iceberg early." He also pointed out that trust is not built through templated emails or endlessly looping helplines.

### 2. Monetary Policy and Inflation (Recent Context):

**Repo Rate Cuts Since February 2025:** Following a period where the repo rate was maintained at 6.5% through January 2025, the RBI has implemented a 100 basis point (1%) cut in the policy (repo) rate since February 2025. This action has been taken in response to a broad-based decline in inflation and to promote economic growth.

**Retail Inflation (CPI) Decline:** Retail inflation dropped to 2.1% in June 2025, the lowest in six years, falling from an average of 4.6% in 2024-25 and 5.4% in 2023-24. The RBI targets CPI inflation at 4% with a tolerance band of  $\pm 2\%$ .

**Growth Forecast:** The RBI had projected the GDP growth rate to be 6.7% for the financial year 2025-26 (as per a February 2025 report), with some sources maintaining a 6.5% forecast.

**Digital Payment Security:** RBI has taken steps to curb cyber fraud, including enforcing additional authentication for online international digital payments and making "bank.in" mandatory for Indian banks and "fin.in" for other financial institutions.

### 3. Banking Sector Performance & Developments:

**HDFC-HDFC Bank Merger Impact:** The merger of HDFC and HDFC Bank in FY24 continues to exert a significant influence on overall bank credit growth. In Q1FY26, industry credit growth was pulled down to single digits (9.5%), while deposits grew healthier at 10.1%. HDFC Bank's outstanding loans grew by 6.7%, and deposits increased by 16.2% in the June 2025 quarter.





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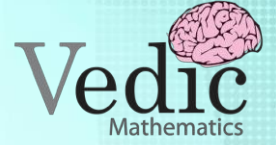
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**Strategic Slowdown:** HDFC Bank intentionally slowed down its average advances/AUM growth to about 7% last year (improved to 8% in June 2025 quarter) to bring down its Credit-Deposit (CD) ratio from 110% post-merger to about 95%.

**Mortgage Market Competition:** The home loan portfolio, a core strength of the erstwhile HDFC, grew by only 7% year-on-year, lagging behind the industry average of 9%, due to "intense competition" from public sector banks offering lower interest rates. HDFC Bank is focusing on superior service and wider customer relationships rather than engaging in a pricing war.

**Positive Outlook:** The bank anticipates recovery in consumption in both urban and rural markets, aided by the approaching festival season, and notes rising momentum in the MSME segment.

**Regional Rural Banks (RRBs) Consolidation:** The Government's "One State-One RRB" policy has led to a significant consolidation of Regional Rural Banks. In Phase-IV amalgamation (effective May 1, 2025), the number of RRBs has been reduced from 43 to 28 across 26 states and 2 UTs. This aims to boost efficiency, financial strength, and improve technology adoption.

**Digital Lending Directions (RBI):** Effective June 15, 2025, RBI's Digital Lending Directions mandate stringent reporting requirements for digital lending activities by regulated entities (banks, NBFCs). Key provisions include linking digital lending apps to the regulated entity's website, appointing grievance officers, storing data on Indian servers, providing consent options to borrowers, and direct loan

disbursal/repayment to/from the borrower's bank account.

**Nationwide Financial Inclusion Saturation Campaign:** The Department of Financial Services (DFS), Ministry of Finance, launched a three-month nationwide campaign from July 1 to September 30, 2025. It aims to bolster the outreach of flagship schemes like PMJDY, PMJJBY, PMSBY, and APY, ensuring comprehensive coverage across all Gram Panchayats and Urban Local Bodies. As of mid-July, nearly 1.4 lakh new PMJDY accounts have been opened, and over 5.4 lakh new enrollments under the three Jan Suraksha Schemes have been recorded.

**Bank Charges and Policies:** From July 2025, major banks (SBI, HDFC, ICICI) are introducing new fees and modifying existing charges related to credit cards (e.g., withdrawal of free air accident cover on certain premium SBI cards, 1% charge on rent payments by HDFC Bank), IMPS, and ATM transactions.

**SBI QIP:** State Bank of India (SBI) launched a ₹25,000-crore Qualified Institutional Placement (QIP) on July 16, 2025, its first equity raise in eight years and the largest by any Indian entity. This aims to support the bank's growth plans and strengthen its capital adequacy ratio.

**Paytm Reports Profit:** Paytm reported a profit of ₹123 crore in Q1FY26 after two quarters of losses, indicating potential stability in the digital payments sector.







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### MCQS

1. According to RBI Deputy Governor Swaminathan J, what is a significant reason for the rise in banking complaints, particularly through digital channels?

- a) Frequent product failures.
- b) Lack of adequate technology infrastructure.
- c) A "lack of empathy" and "mechanical approach" by banking staff.
- d) Excessive government regulation.

**Answer:** c) A "lack of empathy" and "mechanical approach" by banking staff.

The news states, "He attributed this not to product failures but to a 'lack of empathy' and a 'mechanical approach to customer service' by banking staff."

2. What was India's retail inflation (CPI) in June 2025, and how much has the RBI cut the policy (repo) rate since February 2025?

- a) 3.5%, 50 basis points (0.5%)
- b) 2.1%, 100 basis points (1%)
- c) 4.0%, 75 basis points (0.75%)
- d) 1.8%, 125 basis points (1.25%)

**Answer:** b) 2.1%, 100 basis points (1%)

The news states, "Retail inflation dropped to 2.1% in June 2025... the RBI has implemented a 100 basis point (1%) cut in the policy (repo) rate since February 2025."

3. Following the "One State-One RRB" policy, what is the current number of Regional Rural Banks (RRBs) in India after the Phase-IV amalgamation (effective May 1, 2025)?

- a) 43
- b) 35
- c) 28
- d) 196

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**Answer: c) 28**

The news states, "In Phase-IV amalgamation (effective May 1, 2025), the number of RRBs has been reduced from 43 to 28..."

**4. What was the profit reported by Paytm in Q1 FY26 after two quarters of losses?**

- a) ₹50 crore
- b) ₹123 crore
- c) ₹250 crore
- d) ₹840 crore (loss)

**Answer: b) ₹123 crore**

The news states, "Paytm reported a profit of ₹123 crore in Q1FY26 after two quarters of losses..."

**5. What was the approximate amount of the Qualified Institutional Placement (QIP) launched by the State Bank of India (SBI) on July 16, 2025?**

- a) ₹10,000 crore
- b) ₹15,000 crore
- c) ₹20,000 crore
- d) ₹25,000 crore

**Answer: d) ₹25,000 crore**

The news states, "State Bank of India (SBI) launched a ₹25,000-crore Qualified Institutional Placement (QIP) on July 16, 2025..."

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